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SUBJECT: IRAQ COMPACT PREPARATORY MEETING A SUCCESS

REF: A) STATE 144134
B) ABU DHABI 03097

¶1. (SBU) Summary: On September 10, the United Arab Emirates hosted the Preparatory Group for the International Compact for Iraq (ICI). The United Nations (UN) represented by Deputy Secretary General Mark Malloch Brown, and the Government of Iraq (GOI), represented by a delegation led by Iraqi Deputy Prime Minister Barham Salih, co-chaired the meeting. The U.S. delegation was led by Deputy Treasury Secretary Kimmitt and EB Assistant Secretary Sullivan. The meeting was attended by 14 countries, the European Union, European Commission, and League of Arab States, as well as the World Bank, International Monetary Fund, Islamic Development Bank, and the Arab Development Fund. Five Iraqi Ministers-- Finance, Oil, Planning, Trade and the National Security Advisor--spoke at the meeting. They each emphasized that the ICI is a policy of the Iraqi government, and they were all consistent in their message regarding the importance of the Compact. Deputy PM Salih said that the GOI is committed to undertaking the reforms cited in the Compact, such as effective public resource management, economic reform, social sector reform, and energy, infrastructure, and agricultural investment. The GOI is steadfast in its desire to work with its international partners to make the effort a success. Salih also laid out the key objectives and elements of the Compact and stressed the need to move quickly in order to keep up the momentum and ensure buy-in by the Iraqi people.

¶2. (SBU) Summary continued. Deputy Secretary General Malloch Brown stressed that the security needs of Iraqi civilians must be addressed, and he noted that internal political consensus among the Iraqi people is a key component to Iraqi economic reform. "If anything can stem the violence and offer peace and stability, perhaps the Compact, with its emphasis on political stability, can achieve this goal," he said. The next ICI Preparatory meeting will be held in Baghdad in October. The Compact will be discussed on September 18 on the margins of the UN General Assembly in New York as well as at the World Bank/IMF meeting in Singapore the same day. All of the delegates welcomed Iraqi leadership of the process. Comments by key participants follow. Philippe Douste-Blazy, French Foreign Minister, Sheikh Abdullah bin Zayed al-Hayhan, UAE Foreign Minister and Sheikha Lubna al-Qasimi, Minister of Economy also attended the meeting. Text of the Abu Dhabi Declaration: ICI contained in paragraph 17, and a full list of delegates is at para ¶18. End summary.

UN: Mark Malloch Brown

¶3. (SBU) In his opening remarks, the Deputy Secretary General

stressed that the security needs of Iraqi civilians must be addressed and noted that internal political consensus among the Iraqi people is a key component of Iraqi economic reform. "Although these two factors are painful, they are important for future gain," said Deputy Secretary General Malloch Brown. He noted that the delegates need to understand the challenges facing ordinary Iraqis such as rapidly rising food and fuel prices, and lack of basic services such as water and electricity. He said that social services need to be targeted to the poor. As such, foreign investment in the Iraqi oil sector is critical to the reform process, according to Malloch Brown. He also said the Compact process should neither be too fast or too slow and that time is needed to build consensus among the Iraqis. "If anything can stem the violence and offer peace and stability, perhaps the Compact, with its emphasis on political stability, can achieve this goal. The ICI offers Iraqis confidence in the future of their country," said the Deputy Secretary General. He urged donor nations and international

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financial organizations to offer financial support to the GOI "to ensure their burden is not too heavy." All sources of support must be provided to the GOI: debt relief, loans, grants, technical assistance and foreign investment.

GOI: Deputy Prime Minister Barham Salih

¶4. (SBU) Deputy Prime Minister Barham Salih laid out the key objectives and elements of the Compact and stressed a) the need for a commitment from international partners, and b) the importance of moving quickly in order to keep up the momentum and ensure buy-in by the Iraqi people. Salih stressed the urgency because he said the Iraqi people are concerned that the GOI does not have the international buy-in necessary to move forward on the Compact. Salih said, "the GOI is committed to political and economic reforms, but

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needs a high-profile and wider momentum in order to launch the Compact as soon as possible." The Compact focuses on key reforms to support Iraq's economic transformation and generate broad based, sustainable economic growth. Salih said the GOI is committed to undertaking the reforms in the Compact and working with its international partners to make the effort a success. Iraq will deliver its part of the reform program, including creating a transparent and efficient oil sector, developing a transparent and efficient budget, improving good governance, and phasing out subsidies and tackling corruption, but it needs the international community to do its part in the process as well, he said.

¶5. (SBU) Salih stressed the GOI's commitment to restoring political stability and combating violence and corruption by implementing the National Reconciliation Plan, which should be enacted by the end of March 2007. Under the reconciliation plan, the Constitution and election laws will be revised. An amnesty law will also be drafted by January 1, 2007. Furthermore, by the end of 2006, 50 percent of the Iraqi provinces will be protected by Iraqi security forces. Combating corruption is the first priority of the Iraqi government, Salih said. The proposed economic changes under the Compact will benefit all Iraqis and the GOI will work to protect the poorest Iraqis by establishing a strong social safety net.

¶6. (SBU) The Deputy Prime Minister laid out his plan to pass a Hydrocarbon law by the end of 2006. The new law will improve efficiency and transparency in the energy sector, while encouraging both domestic and foreign investment. Iraq currently produces 2.4 million barrels of oil a day and hopes to increase production to 4.3 million of barrels a day by 2010, which will create new job opportunities for Iraqis. Salih believes the private sector needs support and welcomes Iraqis living outside the country to return home and invest their skills and resources in Iraq's future. He also said a new investment law should be signed by the end of this month, which will strengthen the banking sector, ensure that companies pay their taxes, and make it easier and more transparent for foreign companies to invest in Iraq.

¶17. (SBU) Dr. Hussain al-Sharistani, Minister of Oil, stated that the ministry has begun to make a series of fuel price liberalizations. The former program of fuel subsidies fostered a system of corruption and abuse. On September 5, a law was passed to liberalize the importation and sale of fuels at market prices to private suppliers.

The ministry is also drafting a new Hydrocarbon law, which will clarify the framework for decision-making in the oil sector, both at the national and provincial levels. The new law, which al-Sharistani hopes to be approved by December, will improve the efficiency, transparency and accountability of the hydrocarbon sector, and will encourage -- as well as regulate -- private sector development. It will also establish dispute resolution mechanisms and will ensure oil revenues benefit Iraqis in all regions. Once the new law is approved, major international oil companies can begin working in Iraq.

¶18. (SBU) Al-Sharistani said that although oil is plentiful in Iraq and its revenues are the major source of the Iraqi economy, supplying fuel to the nation is challenging because the infrastructure is lacking. In the next five years, Iraq intends to increase crude production to more than three billion barrels a day. The Minister noted that if oil prices remain at their current levels, Iraq would earn \$60 billion a year. Fifty percent of the money earned would be used for development and would "create a balance in all provinces and improve the standard of living of all Iraqis." The GOI will provide development permits in such a way as to promote free market competition and promote transparency. The GOI will invest in building refineries in order to increase oil product output in the coming years. He stressed that in order to succeed, these projects need the support of the international community.

¶19. (SBU) Dr. Bayan Baqer Jaber al-Zuyoudi, Minister of Finance, said the Iraqi Compact requires the GOI to extend its budget planning from one year at a time to a five year timeline. The GOI is working with the International Monetary Fund (IMF) on this project. The GOI signed a Memorandum of Understanding (MOU) with the Paris Club by which the GOI received an 80 percent reduction of its debts. The ministry is planning on helping two million Iraqi families as part of its development and social network plan. Bayan Jaber, like his colleagues, discussed the importance of fighting corruption and said that thousands of cases are currently before the Commission on

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Public Integrity. He also stressed the importance of revitalizing the financial sector by restructuring state owned banks and industries, and he noted that the GOI hopes Arab countries will forgive all of the GOI's previously incurred debts.

¶10. (SBU) Dr. Mowaffak al-Rubaie, Iraqi National Security Advisor, said the GOI must protect its citizens. He said the Baghdad Security Plan has achieved results and that the level of violence in Baghdad over the past month has been greatly reduced. The National Reconciliation Plan's amnesty and detainee provisions will go a long way towards a spirit of reconciliation. In conjunction with the reconciliation plan and the cessation of violence, the National Security Advisor said the militia must be demobilized and disarmed. The GOI will provide training and employment opportunities for militia members once they are disarmed. The GOI is committed to fighting terrorism and is aware that fighting terrorism requires that the GOI abide by: a) the Permanent Constitution, b) the political agenda of the GOI, and c) a national reconciliation project for building a democratic Iraq based on rule of law. Iraq plays an integral part in regional security, and it is working closely with other countries in the region to fight terrorism, he said.

¶11. (SBU) Ali Ghaleb Hussain Baban, Minister of Planning and Development Cooperation, said the ministry is focused on providing opportunities for local and foreign private sector investments. In order to achieve this goal, the GOI needs to ensure transparency. Baban also said the GOI is working to control inflation and

rehabilitate the job sector in order to help the economy recover. The ministry wants to consult with the international donor community to rebuild Iraq.

Delegates' Perspectives

¶12. (SBU) Generally, the delegates were very supportive of the GOI and of the Iraq Compact. Donor nations and international financial organizations were pleased that the GOI is leading the Compact and seem committed to the process of moving it forward. Many noted that the GOI needs to work harder to combat corruption and promote transparency. World Bank Senior Vice President and General Counsel, Ana Palacio said, "the success of the Compact will be measured by the GOI's ability to help its people within a reasonable budget framework." Although the delegates were mainly supportive, many were apprehensive about the security situation in Iraq. The French Foreign Minister, Philippe Douste-Blazy called for the Compact to delineate a troop withdrawal timeline.

¶13. (SBU) Although delegates did not make specific monetary commitments during the Preparatory meeting, Saudi Arabia reiterated a previous \$1.5 billion pledge for development and trade commitment and agreed to work closely with the Iraqi Ministry of Planning on how to best use the money. Additionally, Kuwait said it wanted to work with the GOI and pledged \$500 million for energy, health and railway network development, as well as \$60 million for schools and hospitals.

¶14. (SBU) Deputy Secretary of Treasury Robert Kimmitt said the USG strongly supports this important Iraqi initiative. The parties should move quickly on the Compact since the GOI is moving quickly on passing important legislation that supports the ICI, and both processes should be in sync. He said that both the political and security framework timelines are important and believed Iraqi officials are committed to reaching these goals. There is significant scope for international support, including grants, technical assistance, loans and debt relief. D/S Kimmitt suggested the Compact be completed as soon as possible but not later than the end of November and offered full USG assistance and resources in order to achieve this goal.

¶15. (SBU) In order to push the Compact forward, the next technical meeting will be held in Baghdad in October. There will also be an intensive set of consultations between the Executive Committee and the Preparatory Group via digital video conferences. At the conclusion of the Preparatory meeting, the co-chairs circulated the Abu Dhabi Declaration on the International Compact with Iraq, the text of which is below. At the time of circulation, the Iraqi Planning Minister said, "the content of the message is an assertion of the international community to help Iraq. I consider this document to mean that the Iraqi Compact is now accepted by all the delegates."

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Press Conference

¶16. (SBU) At the conclusion of the meeting, Deputy Secretary General Malloch Brown and Deputy PM Salih held a brief press conference. Malloch Brown emphasized that, "the world remains frustrated by the ongoing crisis in Iraq despite the positive achievements to date." The leadership to address this political, security and economic crisis must be Iraqi, and the Compact will be the mechanism to support the Iraqi government. This view is based on the certainty that the international community cannot afford to see Iraq fail." Salih addressed a question on how to convince the international community that they are not squandering their resources in supporting Iraq by pointing out that the progress made to date, as well noting as the implementation of the Iraqi roadmap.

Abu Dhabi Declaration: International Compact with Iraq

¶17. (U) The delegates agreed on an Abu Dhabi declaration:
International Compact with Iraq. Begin text.

On 10 September 2006, the Government of the United Arab Emirates hosted a preparatory meeting on the International Compact with Iraq (ICI) of States and multilateral institutions in Abu Dhabi. The meeting was opened by H.E. Dr. Mohammad Khalfan bin Khirbash, Minister of State for Financial and Industrial Affairs of the United Arab Emirates, and co-chaired by H.E. Dr. Barham Salih, Deputy Prime Minister of Iraq, and H.E. Mr. Mark Malloch Brown, Deputy Secretary-General of the United Nations. The purpose of the meeting was to assess the preparatory work of the ICI, an initiative of the Iraqi Government supported by the International Community. The event was attended by representatives of 13 Governments, the European Union, European Commission and League of Arab States, and senior officials of the World Bank, IMF, Islamic Development Bank, The Arab Development Fund. The meeting resulted in an agreement on the direction and process of the ICI as presented by the Government of Iraq.

The ICI is an initiative of the Government of Iraq for a new partnership with the International Community. The Compact, jointly co-chaired by the Government of Iraq and the United Nations, with the support of the World Bank, will, over the next five years, bring together the International Community and Multilateral Organizations to support Iraq in achieving its National Vision. This Vision seeks to build a secure, unified, federal and democratic nation, founded on the principles of freedom and equality, and providing peace and prosperity for all its people, and fully integrated within the region and the international community. Guided by the Millennium Development Goals, the Government will work to meet basic needs, protect the rights of all citizens and ensure the optimal use of the country's resources for the common good.

The Deputy Prime Minister H.E. Dr. Barham Salih, together with H.E. Dr. Bayan Bager Jaber Al Zuyoudi, Minister of Finance, H.E. Ali Ghaleb Hussain Baban, Minister of Planning and Development Cooperation, H.E. Dr. Husain Al Sharistani, Minister of Oil and H.E. Dr. Mowaffak al Rubaie, the National Security Advisor, spoke to the objectives and commitments that it is hoped will realize the National Vision. They outlined the key priorities on which to form a Compact, such as effective public resource management and institutional strengthening, economic reform in private Sector development, social sector reforms and investment, energy and agricultural reform investment. The Government of Iraq also pledged its strong commitment to tackling corruption, creating a transparent and efficient oil sector, developing a solid budgetary framework, improving governance, and building and consolidating effective national institutions.

The Government of Iraq also recognizes that good governance and resolution of security and political challenges are interlinked, and are pre-requisites for progress in all other areas, including economic revival and normalization. The Government of Iraq therefore expressed its strong commitment to making urgent progress on national reconciliation, political inclusion and consensus building, the rule of law, and the establishment of professional security forces able to carry out their duties impartially.

The participants welcomed the commitments made by the Government of Iraq within a comprehensive political, security and economic framework that addresses the urgent needs of the Iraqi people. The participants also pledged their support to work closely with the Government of Iraq in further developing the ICI with the

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assistance of the United Nations and the World Bank. For its part, the United Nations is committed to support and facilitate the Compact, through its mission and agencies in Iraq and the good offices of the Secretary-General and his representatives.

The participants look forward to the next stage of this process, the High-Level Meeting, convened by the Secretary-General of the United Nations in New York on 18 September 2006. The New York Meeting will

review the development of the ICI within the framework of relevant Security Council Resolutions. The New York meeting will be followed by an update on the ICI to Finance Ministers at the Annual World Bank/IMF Meeting in Singapore on 19 September 2006.

The Preparatory Meeting recognized the need to expeditiously complete the development of the ICI through a broad consultative process at the national, regional and international levels. It is the intention of the preparatory group to work towards finishing the compact before the end of the year. End text.

Delegates

118. (U) The following is a list of delegates present at the meeting:

United States of America

Robert Kimmitt, Deputy Secretary of the Treasury
Daniel Sullivan, Assistant Secretary of State for Economic and Business Affairs
Ahmed Saeed, Deputy Assistant Secretary of the Treasury
Zalmay Khalilzad, Ambassador, Embassy of the United States of America, Iraq
Michele Sison, Ambassador, Embassy of the United States of America, United Arab Emirates

Government of Iraq

Dr. Barham Salih, Deputy Prime Minister
Bakr Jaber Al Zuyoudi, Minister of Finance
Husain al Shahrastani, Minister of Oil
Ali Ghaleb Hussain Baban, Minister of Planning and Development Cooperation
Muwafaq Baqer Al Rubai'i, National Security Advisor
Mohamed Al-Haj Hmood, Deputy Minister for Minister of Foreign Affairs

United Nations

Mark Malloch Brown, Deputy Secretary General of the United Nations
Ashraf Qazi, Special Representative for the Secretary General for Iraq
Jean-Marie Fakhouri, Deputy Special Representative for the Secretary General for Iraq
Yacoub El Hillo, Deputy Reconstruction and Humanitarian Coordinator for Iraq
Jehangir Khan, Iraq Team Leader, APD/DPA

Arab Fund for Economic and Social Development

Dr. Khalifa Ali Dau, Senior Financial Advisor

Canada/International Reconstruction Fund Facility for Iraq

Douglas Williams, Head of Delegation, Director General of Middle East and Maghreb
Daniel Joly, Director of Iraq Task Force
Elizabeth Williams, Head of Aid for Iraq
Vera Nicholas-Gervais, Political Counselor, Embassy of Canada, Abu Dhabi

European Commission

Patricia Llombart
Sophie Kisling, Administrator for Iraq
Iikka Uusital

Finland (EU Presidency)

Aapo Polho, Director General for the Department of Africa and the Middle East of MoFA
Leena Pylvananen, Regional Manager Unit for the Middle East and North Africa

Republic of France

Jean-Pierre Guinhut, Ambassador, Head of Intergovernmental Mission
for Iraq's Reconstruction
Philippe Douste-Blazy, French Foreign Minister

Federal Republic of Germany

Ruediger Lotz, Director of the Iraq Task Force in the German
Ministry of Foreign Affairs
Jurgen Steltzer, Ambassador to the Embassy of Germany, United Arab
Emirates

International Monetary Fund

Ibrahim El-Tijani, Chief of Mission, Baghdad
Bennet, Resident Representative from Amman, Jordan

Islamic Development Bank Group

Dr. Osman El Fiel, Division Chief, Poverty Reduction Division, MENA
Region
Hassan Abdul Magid, Country Officer for Iraq

Republic of Italy

Vittorio Craxi, Under Secretary of State for Foreign Affairs
Paola Imperiale, Minister Plenipotentiary & Chief of Staff for Under
Secretary Craxi

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Gianludovico de Martino, Minister Plenipotentiary, Head of the Task
Force for Iraq at the Italian Ministry of Foreign Affairs
Maurizio Melani, Ambassador, Embassy of Italy, Iraq
Paolo Dionisi, Ambassador, Embassy of Italy, United Arab Emirates

Japan

Gotaro Ogawa, Ambassador in charge of Iraq Reconstruction
Assistance
Junya Matsura, Deputy Director, Second Middle East Division,
Ministry of Foreign Affairs

The State of Kuwait

Khaled al Maghames, Director of Coordination, Ministry of Foreign
Affairs
Marwan Al Ghanem, Technical regional Manager for Arab States, Kuwait
Development Fund

The Kingdom of Saudi Arabia

Saleh Al-Ouji, General Manager, Imports Insurance Management, Saudi
Development Fund
Nasir a-Alhooti, Acting Minister

The Republic of Korea

Ki-ho Chang, Ambassador, Embassy of Korea, Iraq
Bong-kae Do, First Secretary, Deputy Director of Development
Cooperation Division, International Economic Affairs Bureau,
Ministry of Foreign Affairs and Trade

Spain

Manual Pineiro, Ambassador, Embassy of Spain, United Arab Emirates
Sergio Carranza Forster, Director General for the Mediterranean,
Middle East and Africa
Don Cesar Espada Sanchez, Head of Iraq Office, Ministry of Foreign
Affairs

The United Kingdom of Great Britain and Northern Ireland

Dr. Kim Howell, Minister of State, Foreign and Commonwealth Office
Dominic Asquith, Ambassador, Embassy of the UK, Iraq

Edward Oakden, Ambassador, Embassy of the UK, United Arab Emirates

United Arab Emirates

Sheikh Abdullah bin Zayed Al-Nahyan, Foreign Minister
Dr. Mohammad bin Khalfan bin Khirbash, Minister of State for
Finance
Khaled Ali Al Bustani, Assistant Under Secretary for Budget and
Resources
Muhammad Abdul Rahim Abdul Jaleel, Assistant Under Secretary for

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International Cooperation
Saeed Hamdan Al Naqabi, Minister for the GCC

World Bank

Ana Palacio, Senior Vice President & General Counsel of the World
Bank Group
Joseph Saba, Country Director for Iraq
Simon Stolp, Representative, Iraq

19. (U) (Note: This message has been cleared by A/S Sullivan and D/S
Kimmitt. End note).

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